

# SENATE RECORD VOTE ANALYSIS

105th Congress  
1st Session

Vote No. 160

June 27, 1997, 4:08 pm  
Page S-6719 Temp. Record

## TAXPAYER RELIEF ACT/Final Passage

**SUBJECT:** Taxpayer Relief Act of 1997 . . . H.R. 1014. Final passage, as amended.

### ACTION: BILL PASSED, 80-18

**SYNOPSIS:** As passed, H.R. 1014, the Taxpayer Relief Act of 1997, will provide net tax relief of \$77.8 billion over 5 years (revenues will be reduced a net of \$88.1 billion because of the child health insurance and Amtrak provisions) and \$243.4 billion over 10 years. The cost will be more than offset by the economic dividend (\$355 billion over 10 years) that will result from balancing the budget in fiscal year (FY) 2002. This bill will enact the largest tax cut since 1981 and the first tax cut since 1986. It will give cradle-to-grave tax relief to Americans: it will give a \$500-per-child tax credit, education tax relief, savings and investment tax relief, retirement tax relief, and estate tax relief. Over the first 5 years, approximately three-fourths of the benefits will go to Americans earning \$75,000 or less. It will eliminate a third of the increased tax burden imposed by the 1993 Clinton tax hike, which was the largest tax hike in history. Details are provided below.

Child tax credit:

- a \$500-per-child income tax credit for children will be given that will provide families with \$83.375 billion in tax relief over fiscal years (FYs) 1998-2002 and \$172.099 billion over FYs 1998-2007;
- for 1998-2002 the credit will be given for children under age 17 and thereafter it will be given for children under age 18; for 1997, a pro-rata credit of \$250 per child will be given for children under age 13;
- for taxpayers who qualify for the Earned Income Credit (EIC), only half of the EIC credit will be subtracted from income tax liability before taking the child tax credit, after which the remainder of the EIC credit will be taken (this provision is called the "half-stack" provision); for related debate, see vote Nos. 140 and 156;
- for each child age 13 to 16 (age 13 to 17 after 2002), the credit will only be given if the money is put into an education individual retirement account (IRA) or a qualified tuition program (in other words, those funds may only be used for a child's education expenses; as reported, they could only be used for higher education expenses; for related debate, see vote No. 139; as amended, it will be permissible to use them for elementary and secondary education expenses; see vote No. 150; and

(See other side)

YEAS (80)				NAYS (18)		NOT VOTING (2)	
Republican (51 or 93%)		Democrats (29 or 67%)		Republicans (4 or 7%)	Democrats (14 or 33%)	Republicans (0)	Democrats (2)
Abraham	Inhofe	Akaka	Kerrey	Faircloth	Bumpers		Hollings- <sup>2AN</sup>
Allard	Jeffords	Baucus	Kohl	Gramm	Byrd		Inouye- <sup>2AY</sup>
Ashcroft	Kempthorne	Biden	Landrieu	Grams	Durbin		
Bennett	Kyl	Bingaman	Lautenberg	Helms	Feingold		
Bond	Lott	Boxer	Leahy		Ford		
Brownback	Lugar	Breaux	Lieberman		Glenn		
Burns	Mack	Bryan	Mikulski		Harkin		
Campbell	McCain	Cleland	Moseley-Braun		Kennedy		
Chafee	McConnell	Conrad	Moynihan		Kerry		
Coats	Murkowski	Daschle	Murray		Levin		
Cochran	Nickles	Dodd	Reid		Reed		
Collins	Roberts	Dorgan	Rockefeller		Robb		
Coverdell	Roth	Feinstein	Torricelli		Sarbanes		
Craig	Santorum	Graham	Wyden		Wellstone		
D'Amato	Sessions	Johnson					
DeWine	Shelby						
Domenici	Smith, Bob						
Enzi	Smith, Gordon						
Frist	Snowe						
Gorton	Specter						
Grassley	Stevens						
Gregg	Thomas						
Hagel	Thompson						
Hatch	Thurmond						
Hutchinson	Warner						
Hutchison							

#### EXPLANATION OF ABSENCE:

- 1—Official Business
- 2—Necessarily Absent
- 3—Illness
- 4—Other

#### SYMBOLS:

- AY—Announced Yea  
AN—Announced Nay  
PY—Paired Yea  
PN—Paired Nay

● the credit will phase out for single taxpayers with adjusted gross incomes (AGIs) between \$75,000 and \$95,000 and will phase out for married taxpayers with AGIs between \$110,000 and \$130,000; these thresholds will not be indexed for inflation.

Family alternative minimum tax relief:

● \$250 million in tax relief over 5 years and \$13.747 billion over 10 years will be provided by increasing the exemption amounts in 2001 and again in 2003.

Education tax incentives:

● in total, \$33.006 billion over 5 years (FYs 1998-2002) and \$83.505 billion over 10 years (FYs 1998-2007) in education tax incentives will be enacted;

● the Administration's HOPE scholarship tax credit proposal will be adopted, including its proposed modification to drop the B average requirement; the nonrefundable income tax credit will be available to a student, or, if a dependent, the student's parent(s), to pay 50 percent of tuition and other qualified expenses (which will not include room and board) up to a maximum of \$1,500 to attend a 4-year college; the credit will also be available to pay qualified expenses to attend a community or vocational school, in which case 75 percent of expenses will be paid up to the same maximum of \$1,500; an individual may take the credit for a maximum of 2 years; the credit may not be taken to the extent that educational expenses are paid for out of an education IRA (see below); the credit will phase out for single filers with AGIs between \$40,000 and \$50,000 and for joint filers with AGIs between \$80,000 and \$100,000; the 5-year tax relief will be \$20.425 billion and the 10-year relief will be \$45.349 billion;

● education IRAs will be created; up to \$2,000 in nondeductible contributions will be allowed annually to an education IRA or qualified tuition program (including existing State plans and private pre-paid tuition plans, which this bill will allow to be created); additionally, the \$500 per child tax credit will be allowed to be contributed (it will have to be contributed if it is taken for a child age 13 or older; see vote No. 139 for related debate); inside buildup will be tax-free; distributions will be tax-free if used for higher education expenses or for elementary or secondary education expenses; see vote No. 150; if any balance remains when an account holder reaches age 30 the account will be deemed to be an IRA Plus account (see below);

● an above-the-line tax deduction for student loan interest will be allowed during the first 60 months in which interest payments are required, subject to a maximum deduction of \$2,500 and phase-out rates; and

● penalty-free withdrawals will be allowed from other IRAs for post-secondary and graduate school expenses.

Capital Gains:

● the capital gains tax rate will be reduced from 28 percent to 20 percent for individuals in tax brackets above 15 percent, and will be reduced to 10 percent for individuals in the 15-percent bracket; depreciable real property will have a capital gains tax rate of 24 percent (instead of 28 percent); the rate will remain 28 percent on collectibles; the rate reductions will apply to taxable years ending after May 6, 1997; rates will not be indexed; for related debate, see vote Nos. 132-133 and 159;

● a taxpayer will be able to exclude the gains on the sale of a principal residence as often as once every 2 years; up to \$250,000 will be excludable for a single filer and up to \$500,000 will be excludable for a joint filer; and

● a 50-percent exclusion from the capital gains tax will apply to small business stock held by a corporation as well as by an individual; the exclusion will apply to stock in corporations with gross assets of \$100 million or less (instead of \$50 million or less); a taxpayer will be allowed to roll over the gain from the sale of stock qualifying for the exclusion into other qualifying stock.

Individual Retirement Accounts (IRAs; see the "Education tax incentives" heading above for education IRAs):

● the income limits for deductible IRAs will be raised gradually until 2004, when they will be twice the current limits; single taxpayers will have a range between \$50,000 and \$60,000, and joint taxpayers will have a range between \$80,000 and \$100,000; the rule that deems a taxpayer to be an active participant in a spouse's employer-provided retirement plan, and thus ineligible for a deductible IRA, will be repealed;

● penalty-free withdrawals will be allowed for first-time home purchases and to meet long-term unemployment costs; and

● the bill will create a new type of IRA called an IRA Plus; up to \$2,000 annually in after-tax income may be placed in an IRA Plus, and distributions, including on interest, will not be taxable; the annual cap will be reduced by the amount, if any, that funds are put into a deductible IRA; withdrawals will not be made before age 59.5 or before 5 years have passed since the first contribution, with a few exceptions, including that they will be allowed for first-time homebuyers, to meet long-term unemployment costs, or to pay benefits upon the death of the account holder; a present-law deductible or nondeductible IRA will be convertible into an IRA Plus, and any taxes due as a result of such conversion will be payable over a 4-year period; for related debate, see vote No. 151.

Estate and gift tax reform:

● the current \$600,000 amount that is exempt from the estate tax will be increased to \$1 million over the next 10 years, after which it will be indexed for inflation;

● the gift tax and other estate taxes, such as the generation-skipping transfer tax, will be indexed for inflation starting in 1999; and

● the bill will provide a new \$1 million exclusion for the estate of a family-owned business (in general, the business will have to have been more than 50-percent owned by the decedent, comprise more than 50 percent of the decedent's estate, and the decedent must have materially participated in the operation of the business); this exclusion will be in addition to the general estate tax

JUNE 27, 1997

VOTE NO. 160

exclusion, the special use exclusion which allows up to \$750,000 in value of a qualifying farm or other closely held business to be excluded, and current-law provisions that allow estate taxes on family-owned businesses to be paid in installments.

Miscellaneous provisions:

- an additional \$8 billion in spending will be provided for the new program to provide health insurance to currently uninsured children, bringing the total for the program to \$24 billion; see vote No. 135; for related debate, see vote Nos. 128-130 and 149;
- existing budget enforcement mechanisms, with some modifications, will be extended; see vote No. 141; for related debate, see vote Nos. 142-147;
- Senate reconciliation procedures will be substantially modified; see vote No. 148;
- expiring tax credits will be extended, including the basic research tax credit (through May 1999), a modified version of the work opportunity tax credit (through May 1999), and the orphan drug tax credit (it will be made permanent);
- tax provisions to spur economic growth in the District of Columbia will be enacted, including a \$5,000 first-time homebuyer credit (which will expire in December 2001), a 0 percent capital gains tax rate for certain property (which will expire in December 2002), and funding for a school trust fund;
- an intercity passenger rail fund will be created for Amtrak (see vote No. 157 for related debate);
- taxpayers will be allowed to expense (write-off in 1 year) redevelopment costs associated with "brownfields" (polluted former industrial sites) in empowerment zones, enterprise communities, and Environmental Protection Agency (EPA) sites;
- the health insurance costs of the self-employed will be made fully deductible by 2007; see vote No. 138; for related debate see vote No. 137;
- a new credit will be given to employers for the construction of on-site daycare facilities; see vote No. 152;
- the first \$2,000 in severance pay from workforce reductions will be excluded from income; and
- numerous tax simplification provisions will be enacted, which will provide net tax relief of \$792 million over 5 years.

Revenue offsets (totalling \$66.982 billion over 5 years and \$137.838 billion over 10 years) include the following:

- Airport and Airway Trust Fund excise taxes will be extended and modified, increasing receipts by \$30.481 billion over 5 years and \$70.122 billion over 10 years;
- the Federal excise tax on cigarettes will be increased by 20 cents per pack (to 44 cents) and taxes on other tobacco products will be increased proportionately, increasing receipts by \$14.844 billion over 5 years and \$29.917 billion over 10 years; for related debate, see vote Nos. 135, 137, and 149;
- the Federal unemployment temporary surtax (FUTA) will be extended through December 31, 2007, increasing receipts by \$6.356 billion over 5 years and by \$6.726 billion over 10 years; and
- the international departure tax will be increased, and a 10-percent tax will be imposed on that portion of ticket prices attributable to the domestic portions of international flights, raising \$3.451 billion over 5 years and \$8.037 billion over 10 years.

NOTE: Immediately prior to final passage, the Senate struck all after the enacting clause and inserted in lieu thereof the text of S. 949, as amended.

**Those favoring** final passage contended:

Argument 1:

This bill will provide enormous, long-overdue tax relief to the American people, who are currently under the largest tax burden in history. Three-quarters of the tax relief will go to working American families with incomes under \$75,000 per year. Other notable tax benefits include that it will provide substantial tax incentives for attending higher education and that it will spur economic growth by enacting capital gains tax and IRA reforms. We are very pleased that the final version of this bill has been able to gain such bipartisan support. That support is possible because the majority made a concerted effort to weigh the views of the minority and to compromise.

Unfortunately, President Clinton has been giving some indications that he may decide to veto this tax relief for American families. We are especially concerned that he has been using his old "imputed income" argument to claim that this bill will benefit mainly rich taxpayers. Under that argument, the President says that average Americans really have about 65 percent more income than is shown on their returns, because of the value of such items as pension plans and even the rental values of the homes in which they live. Thus, for example, the President uses his "imputed income" argument to claim that a single mom with a couple of kids who earns only \$40,000 per year really earns \$65,000 because of "imputed" income. Obviously that single mom does not have that \$25,000 in Clinton funny money--for \$25,000 in imputed income and a dollar, she could buy a cup of coffee and not much else. Nevertheless, it was this very imputed income argument that President Clinton and his liberal Democrat allies used in 1993 as an excuse to impose the largest tax hike on the American people in history, and President Clinton now seems to be laying the groundwork to use it as an excuse to veto the largest tax relief bill for working Americans since the Reagan tax cuts of 1981. We urge President Clinton not to veto this bipartisan tax relief bill. He has the chance to be remembered as the Democratic President who worked with Republicans in Congress to balance the budget and spur economic growth with tax relief for working families.

We pledge to the American people that we will not give up the fight to provide this tax relief. We will do whatever we can to work out any disagreements we may have with the President, but we will not settle for any gimmick solutions. Real family tax relief will be provided. Today, on the cusp of the Fourth of July, we enthusiastically urge the passage of the Taxpayer Relief Act as the Senate's Independence Day salute to the taxpayers of America.

Argument 2:

This bill is far from perfect. Our hope is that once it gets to conference, Democrats and the Clinton Administration will be able to prevail upon Republican conferees to accept changes that will make the bill fairer to average working Americans. At present, it is tilted to give most of the tax relief to upper-income Americans. We agree that, on balance, it will have a net positive effect, but it certainly can be improved. We commend Republican Senators for listening to the concerns of Democratic Senators, which resulted in a supportable bill. With a good deal less enthusiasm than our colleagues on the other side of the aisle, we urge Senators to vote in favor of final passage.

**Those opposing** final passage contended:

Argument 1:

All Americans, but particularly low-income and middle-income Americans, need and deserve tax relief. This bill claims to provide that relief, but it targets almost all of the benefits to rich Americans and gives only a few crumbs to everyone else. This proposal is irredeemably flawed and should be vetoed. We would rather not provide any tax relief than vote in favor of final passage.

Argument 2:

We do not favor tax cuts before the budget is balanced. The only exceptions we would be willing to entertain would be cuts that were properly targeted to spur economic growth. This bill contains some such cuts, but they comprise only a small percentage of the total. On balance, all we think this bill will manage to do is increase the deficit. Therefore, we urge its rejection.